

Message Text

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PAGE 01 KUWAIT 05381 171013Z

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AMEMBASSY KHARTOUM

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

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BEIRUT PASS BAGHDAD

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SUBJ: TEXAS IOGA TRADE MISSION-- IMPLICATIONS FOR FUTURE
TRADE MISSIONS THIS AREA.

SUMMARY: FOR SOME TIME WE HAVE POINTED OUT THAT KUWAIT AND STATES LIKE IT ARE VERY LIMITED CONSUMER PRODUCT MARKETS AND REALLY LARGE SALES OF GOODS AND SERVICES ARE TIED TO MAJOR PROJECTS WHICH ARE MORE OFTEN THAN NOT UNDERTAKEN ON A TURN-KEY BASIS. TO THIS END, WE HAVE CONSISTENTLY URGED MISSIONS BE SENT HERE EMPHASIZING A SYSTEMS APPROACH TO MARKETING BY PROVIDING US TECHNOLOGY, MANAGEMENT, MARKETING, AND CONSTRUCTION SERVICES (AND OCCASIONALLY TOKEN "GOOD FAITH" CAPITAL) IN ASSISTING KUWAITIS IN DEVELOPING THEIR COUNTRY AND INVESTING IN SOME OF THE CAPITAL POOR ARAB AND MUSLIM STATES. WE SEE THESE

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PAGE 02 KUWAIT 05381 171013Z

TYPES OF ARRANGEMENTS AS GIVING THE KUWAITIS A GREATER ECONOMIC

STAKE IN THEIR RELATIONSHIP WITH US. KUWAITIS HAVE SINCE GIVEN FURTHER CREDIBILITY TO THIS APPROACH BY ASKING US TO ASSIST THEM IN IDENTIFYING PROJECTS IN DEVELOPING COUNTRIES IN WHICH THEY COULD PROFITABLY INVEST WHILE MAKING A CONTRIBUTION TO THE ECONOMY OF THE HOST COUNTRY. SUBJECT MISSION WAS SUPPOSED TO BE A SMALL ANSWER TO THIS NEED. PRELIMINARY RESULTS SHOW THAT, IN SPITE OF SERIOUS PROBLEMS WITH MISSION RECRUITMENT AND DISCIPLINE, THOSE WHO CAME TO KUWAIT WITH ABILITIES AND PROPOSALS MEETING THESE CRITERIA DID EXTREMELY WELL AND COULD, WITH PROPER FOLLOW-UP, BECOME INVOLVED IN SEVERAL JOINT VENTURES IN KUWAIT THE SUDAN AND EGYPT TOTALLING MANY MILLIONS OF DOLLARS. END SUMMARY.

1. MISSION ARRIVED AFTERNOON DEC 10 AND MET BY EMBOFF AND ABDULRAHMAN AL-SHAYA WHOSE FAMILY, CO-SPONSORED MISSION. THAT EVENING MISSION BRIEFED BY ECON SECTION CHIEF BOGOSIAN AND CONTROL OFFICER KATTOUF AND WERE FORTUNATE HAVE BRIEFING ON UAE FROM AMBASSADOR STERNER WHO WAS VISITING KUWAIT. GROUP THEN ATTENDED HOLIDAY RECEPTION AT RESIDENCE AMBASSADOR STOLTZFUS.

2. DURING COURSE OF MISSION MEMBERS WENT TO NUMEROUS APPOINTMENTS WITH LEADING KUWAITI FINANCIERS, BANKERS, BUSINESSMEN AND GOVERNMENT OFFICIALS. ONLY TWO GROUP APPOINTMENTS WERE BRIEFING FROM KUWAIT INVESTMENT CO. MANAGER BADR AL-DAOUD AND GROUP MEETING WITH FIVE PROMINENT KUWAITIS AT KUWAIT CHAMBER OF COMMERCE AND INDUSTRY. GROUP WHICH HAD JUST COME FROM EGYPT, ARRIVED AT PROPITIOUS TIME, SINCE PM HEGAZI HAD JUST RECENTLY DEPARTED KUWAIT WITH PLEDGES OF \$1.3 BILLION, AND AL-DAOUD AND OTHERS WERE AT THAT MOMENT CHARGED WITH FINDING SUITABLE INVESTMENTS OUTLETS THERE. (SEPTTEL ON KUWAIT INVESTMENT ATTITUDE TOWARD EGYPT WILL FOLLOW.) FOR FIRST TIME IN RECENT MEMORY, CHAMBER OF COMMERCE AGREED TO SMALL MEETING BETWEEN US AND KUWAIT BUSINESSMEN FOR GENERAL EXCHANGE OF VIEWS ON BUSINESS CLIMATE IN KUWAIT AND OTHER ARAB COUNTRIES. KUWAITI SIDE WAS WELL REPRESENTED AND EXCHANGE WAS FRANK AND EXTREMELY INFORMATIVE FOR TEXAS GROUP. EVEN CHAMBER MANAGER HAYTHAM MALLUHI, WHO ALWAYS OPPOSED SUCH MEETINGS, ADMITTED FORMAT WAS SUCCSSSFUL. WE HOPE SIMILAR SUCH EXCHANGES CAN BE ARRANGED IN FUTURE. LEVEL OF TEXAS REPRESENTATION, UNFORTUNATELY, DID NOT MATCH THAT OF KUWAITI SIDE.

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PAGE 03 KUWAIT 05381 171013Z

3. THAT EVENING GROUP ATTEMDED RECEPTION IN THEIR HONOR HOSTED BY AL-SHAYA FAMILY AT SHERATON. THOSE IN ATTENDANCE INCLUDED MINISTER AND UNDERSECRETARY OF PUBLIC WORKS, PRESIDENT OF CHAMBER, UNDERSECRETARY OF COMMERCE AND INDUSTRY, AND A NUMBER OF BANKERS AND PROMINENT BUSINESSMEN. OTHER SOCIAL FUNCTIONS FOR GROUP WERE DINNER AT HOME KHALED AL-SHAYA AND RECEPTION AT EMBOFF'S HOME.

4. MISSION COMPANIES WHICH MOST CLOSELY MET OUR CRITERIA FOR MISSION DID EXTREMELY WELL AND, IF THEY WISH, IT ALMOST ASSURED THEY CAN BECOME INVOLVED IN MAJOR DEALS WITH KUWAITIS. THIS ESPECIALLY TRUE OF WESTERN BEEF WHICH OVERWHELMED WITH PROPOSALS FOR COOPERATION IN CATTLE AND SHEEP RAISING VENTURES BOTH HERE AND IN SUDAN, AND KOHLER INT'L WHICH WON COMMITMENTS FROM KEY KUWAITI INVESTMENT INSTITUTION AND BUSINESSMEN FOR EQUITY FINANCING FOR LARGE SANITARYWARE FACTORY IN EGYPT TO SERVE REGIONAL MARKET. SHOULD BE NOTED THAT WESTERN BEEF DEALT WITH TOP ECHELONS OF ROYAL FAMILY INCLUDING SONS OF AMIR AND FONMIN. SONS OF LATTER RECENTLY WON NOTORIETY FOR PURCHASE LARGE BLOC OF SHARES IN LONHRO. IF HIS TIME PERMITTED WESTERN BEEF PRES. FEASTER WOULD HAVE GONE TO SUDAN WITH SOME ROYAL FAMILY MEMBERS FOR FURTHER EXAMINATION PROJECT. RIZK CONSTRUCTION AND SCHINDLER/CUMMINS ALSO TOOK UNDER CONSIDERATION PROPOSALS FOR JOINT-VENTURE CONSTRUCTION AND PROPERTY MANAGEMENT VENTURES. TURNER, COLLIE, AND BRADEN ENGINEERS LEARNED THAT CIVIL ENGINEERING NOT IN CRITICALLY SHORT SUPPLY HERE, BUT THEY HAD ENOUGH OTHER ACTIVITIES TO KEEP THEIR REP FULLY OCCUPIED. HE SAID HE WOULD RECOMMEND ESTABLISHMENT OF REPRESENTATION OFFICE IN MIDDLE EAST. WE HAVE STRONG RESERVATIONS TO INCLUSION CHADWICK, SINCE HE IN REALITY UK CONSULTANT WHO HAS AS ONLY ONE OF HIS CLIENTS NORTH TEXAS STATE COMMISSION.

5. IF MISSION HAD INCLUDED MORE INDUSTRIAL AND AGRI-BUSINESS FIRMS WILLING TO INVESTIGATE ESTABLISHMENT OF OPERATIONS IN AREA MISSION COULD HAVE, WE BELIEVE, ACHIEVED EXTRAORDINARY RESULTS. AS IT WAS, THEY STILL DID VERY WELL AND CERTAINLY HAVE AS MUCH OR MORE POTENTIAL TO PROMOTE EXPORTS OF US GOODS AND SERVICES THAN MANY TARGET INDUSTRY TYPE MISSIONS WHICH HAVE COME TO THIS AREA. OTHER MAJOR DISAPPOINTMENTS WERE FAILURE OF THOSE BILLED AS COMING WITH MISSION TO SHOW AND LACK OF DISCIPLINE ON PART OF MISSION MEMBERS RECRUITED - LINCOLN PROPERTIES LIMITED OFFICIAL USE

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PAGE 04 KUWAIT 05381 171013Z

SENT NO ONE AT ALL, AND STEWART-STEVENSON SENT IN PLACE OF THEIR DIRECTOR INEXPERIENCED EMPLOYEE WHO WAS ORDERED BY HIS COMPANY DROP-OUT OF MISSION AFTER STOP IN EGYPT. KOHLER, WHICH CAME WITH MORE PEOPLE THAN NECESSARY, LEFT KUWAIT HALF WAY THRU MISSION AND CUMMINS OF SCHINDLER/CUMMINS ARRIVED SEVERAL DAYS LATE BECAUSE HE WISHED TO CLOSE DEAL IN BAGHDAD. THIS IS, OF COURSE, UNACCEPTABLE FOR ANY TRADE MISSION AND WAS DOUBLY SO IN THIS INSTANCE GIVEN TIME AND EXPENSE AL-SHAYA FAMILY DEVOTED TO MISSION, SUPPORT OF CHAMBER, AND HIGH-LEVEL NATURE OF PEOPLE WITH WHOM MISSION WAS DEALING. WE BELIEVE TEXAS ORGANIZERS SHARED OUR DISMAY, BUT WE WOULD RECOMMEND THAT SERIOUS ATTENTION BE GIVEN TO PREVENTING SUCH BEHAVIOR WHENEVER POSSIBLE IN THE FUTURE. FOR STARTERS, BELIEVE LINCOLN PROPERTIES AND STEWART-STEVENSON SHOULD NOT RPT NOT BE ALLOWED TO PARTICIPATE IN ANY FURTHER USG-SPONSORED MISSIONS AND CONSIDERATION BE GIVEN

TO DENYING THEM ANY OTHER DISCRETIONARY SERVICES COMMERCE MAKES AVAILABLE. WE APPRECIATED ARRIVAL ADVANCE MAN PRIOR TO MISSION AND RECEIVED GOOD CO-OPERATION FROM MISSION DIRECTORS ONCE THEY ON GROUND.

6. ALTHOUGH MISSION DID MORE THAN WELL ENOUGH TO JUSTIFY ITS COMING, IT REALLY FELL FAR SHORT OF ITS POTENTIAL. IF EXECUTED PROPERLY MISSIONS PROMOTING "TRIANGULAR INVESTMENT" COULD LEAD TO SIGNIFICANT DEALS AMONG US, KUWAITI, AND HOST COUNTRY COMPANIES IN PLACES SUCH AS EGYPT, SUDAN, NORTH YEMEN, TUNISIA, MOROCCO, AND EVEN SYRIA. IT UNFORTUNATE THAT WE UNABLE TO MOUNT SUCH MISSIONS AS PART OF REGULAR COMMERCE SPONSORED TRADE PROMOTION PROGRAM. PITFALLS OF GOING IOGA OR PRIVATE ROUTE VIVIDLY ILLUSTRATED BY THIS MISSION. HOWEVER, IF COMMERCE CANNOT UNDERTAKE SUCH A PROGRAM, THEN WE WOULD AGAIN CONSIDER TAKING A SIMILAR MISSION (HOPEFULLY, WITHOUT PROBLEMS ENCOUNTERED), AND TEXAS OR OTHER SOUTHWESTERN STATES ARE LOGICAL CANDIDATES GIVEN LARGE NUMBER KUWAITIS WHO HAVE ATTENDED SOUTHWESTERN UNIVERSITIES AND SEVERAL EXISTING SIMILARITIES BETWEEN KUWAIT AND THESE STATES.
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